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Counsel

December 10, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

**Re: Petition for Approval of Fiscal Period 2004 Residential Conservation Service
Program Budget and Recovery of Program Operating Costs; D.T.E. 03-110**

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company and Nantucket Electric Company, I am enclosing responses to the Department's first set of information requests. Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Joseph W. Rogers, Office of the Attorney General
Steven I. Venezia, Division of Energy Resources

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Information Request DTE 1-1

Request:

The Company projects a budget of \$2,500,000.00 for 2004 compared to a budget of \$3,642,350 for 2003. Explain the reasons for the decrease.

Response:

The RCS program has been charged by the DOER to focus on BTU's saved per dollars spent. This change means the Company now will closely screen customers to make sure there is a high probability that they are interested and ready to implement energy savings measures before we perform an audit. The Company believes that the screening process will decrease the total number of audits performed, from about 6000 to about 4500.

Information Request DTE 1-2

Request:

Explain the reasons for the budgetary reductions from 2003 to 2004 in: (a) Tier One Marketing Vendor; (b) Customer Incentive-Energy Efficiency Incentive; (c) Implementation-audits- vendor; and (d) program implementation-inspections-vendor.

Response:

(a) The 2003 budget was created with no experience of costs for the tier one effort. The 2004 budget is based on 2003 actual costs.

(b) The 2003 budget included assumptions from the discontinued single family high use program while the 2004 budget is based on 2003 actual.

(c) Due to the increased screening during 2004 the company expects to do 25% fewer audits.

(d) In the budget submitted on 10/31/2003, the costs for inspections were included in Program Implementation/Outreach/Vendor. As noted in the response to DTE 1-3, the Company is refiling the budget table set forth in Exhibit B in order to correct an error. The Company is also taking the opportunity to move \$45,000 from Outreach to Inspections in the new budget version submitted with these data responses. The RCS network is going out to bid in 2004 for third party inspections. The number for 2004 is lower than 2003 because the 2003 number was an estimate and the 2004 number is based on actual costs and our assumptions of savings delivered through the bidding process.

Information Request DTE 1-3

Request:

Explain why the figures shown in the “Financial” column are different than the figures shown in the “Amount(complete)” column on lines 9,11,12,13,15,16,and 17.

Response:

Attachment ‘B’ Budget Categories and Format of the 2004 RCS filing was in error. The Financial column of the document was not updated from the 2003 filing. This has been corrected and is attached to this data response.

ATTACHMENT B

Budget Categories and Format

[illegible]

ATTACHMENT B

Budget Categories and Format

Cell: G2

Comment: PPA / Internal / In-House

All money that the program administrator retains for planning activities and program administration. These include costs associated with developing program plans, including market transformation plans, research and development (excluding R&D costs assigned to Evaluation & Market Research), and day-to-day program administration, including labor, overhead costs, and any regulatory costs associated with the RCS programs.

Cell: G3

Comment: PPA / Assessment / DOER

Annual Assessment paid to the state. This amount can be estimated from prior year's assessment.

Cell: G4

Comment: PPA / Internal / Vendor

All money that the program administrator pays to a third party for planning activities and program administration. These include costs associated with developing program plans, including market transformation plans, research and development (excluding R&D costs assigned to Evaluation & Market Research), and day-to-day program administration, including labor, overhead costs, and any regulatory costs associated with the RCS programs.

Cell: G5

Comment: Marketing / Statewide Coordinated / Vendor

All money paid to a third party for doing a statewide marketing campaign of the RCS program.

Cell: G6

Comment: Marketing / DTE Announcement / In-House

All money that the program administrator retains to fulfill the annual RCS program announcement that the DTE requires. If the program vendor has third party costs for this activity, assign these dollars to Marketing / Tier One / Vendor.

Cell: G7

Comment: Marketing / Telephone Coordination / Vendor

Money that a program administrator pays a vendor for equipment and equipment programming used to develop and maintain the 800 number for Tier 1 Services.

Cell: G8

Comment: Marketing / Tier One / In-House

Money that a program administrator retains for staffing the phones and providing information resources to customers who call the statewide 800-number.

Cell: G9

Comment: Marketing / Tier One / Vendor

Money that a program administrator pays a vendor for staffing the phones and providing information resources to customers who call the statewide 800-number.

Cell: G10

Comment: Customer Incentive / Energy Efficiency Incentive/ Customer

Money that a program administrator pays a program participant to offset the cost of measures that improve the energy efficiency of the participant's home.

Cell: G11

Comment: Customer Incentive / Renewable Energy Incentive / Customer

ATTACHMENT B

Budget Categories and Format

Money that a program administrator pays a program participant to offset the cost of measures that increases the contribution of renewable energy to the participant's home.

Cell: G12

Comment: Program Implementation / Outreach / Vendor

All money that the program administrator pays to a third party for outreach such as marketing letters, telemarketing, and other call center activity that supports targeted-marketing campaigns.

Cell: G13

Comment: Program Implementation / Outreach / In-house

All money that the program administrator retains for outreach such as marketing letters, telemarketing, and other call center activity that supports targeted-marketing campaigns.

Cell: G14

Comment: Program Implementation / Audits / Vendor

Money that a program administrator pays a vendor to provide an onsite audit as a part of Tier 2 services.

Cell: G15

Comment: Program Implementation / Inspections / In-House

Money that a program administrator retains to provide an onsite inspection of measures installed as a part of Tier 2 services or quality control oversight of audits.

Cell: G16

Comment: Program Implementation / Inspections / Vendor

Money that a program administrator pays a vendor to provide an onsite inspection of measures installed as a part of Tier 2 services.

Cell: G17

Comment: Evaluation / Planning / In-House

Money that a program administrator retains to assist DOER in planning program evaluations.

Cell: G18

Comment: Evaluation / Planning / DOER

Evaluation money provided to DOER for hiring an evaluation contractor.

Cell: G19

Comment: Performance Incentive / Company Specific / In-House

Money that some program administrators may retain if they achieve company-specific program performance goals that are set through negotiations with non-utility parties.

Cell: G20

Comment: Performance Incentive / Regional / In-House

Money that some program administrators may retain if they in coordination with other program administrators achieve regional program performance goals that are set through negotiations with non-utility parties.

Cell: G21

Comment: Other

ATTACHMENT B

Budget Categories and Format

Expenditures that do not apply to other budget categories. Please provide a description.